

HRMS SOFTWARE PRICING GUIDE

Your comprehensive guide to the cost of implementing HRMS software

GUIDE HIGHLIGHTS



The latest pricing information from leading vendors



A comparison of the two major HRMS pricing models



Hidden costs, calculating HRMS TCO & more





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Written by experienced HRMS project managers, this guide will give you a headstart on your HRMS pricing research, including:

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PRICING MODELS

Despite the many pricing permutations – and leaving aside the ‘freemium’ option that some vendors offer – there are basically two types of HRMS pricing model: the subscription and the license; to put it into more evocative terminology: the rental and the purchase.

The subscription approach is common with off-site cloud HR packages and its popularity has risen due to it piggybacking on the Software as a Service (SaaS) model. The subscription payment is usually made on a monthly basis and the amount is often dependent on either the number of system users or, more frequently, the number of employees in the client organisation.

The license fee is a more traditional model and is still largely associated with systems running via on-premises servers. This is the “you-buy-it-you-own-it” model and carries a greater degree of responsibility for the system’s operation but also a greater degree of freedom.

SUBSCRIPTION BEATS LICENSE

A subscription model often costs less up front and it’s largely on this basis that it’s become so sought-after, especially among small to medium-sized businesses who may not want a high initial outlay. The license fee (i.e. purchase cost) isn’t the only factor that makes the ‘day one’ cost of the perpetual license more expensive. Licensed, on-premises software usually costs more to customise and integrate with your other HR and business systems. Similarly, depending on your requirements, you may incur additional hardware and middleware costs as part of the installation. SaaS HRMS vendors tout their low to non-existence maintenance costs, with ‘owned’ systems generally needing more in the way of manual upgrades, updates and patches.

LICENSE BEATS SUBSCRIPTION

So far, so SaaS. However, licensing HRMS is like buying a home; it may cost a lot up front but once you’ve paid for it, it’s yours. The tenant in the property next-door will be paying rent every single month for as long as they live there; even if they decide to move, they’ll be paying rent somewhere else. In that sense, the ongoing costs of the subscription approach are greater and, sooner or later (most sources suggest around the seventh year of use), the costs begin to converge. Before long, the total cost paid for the subscription outweighs that of the license. Bear in mind that these days, most businesses are buying HRMS hoping/expecting to get 10 years use from it at a minimum.

Furthermore, SaaS HRMS is often less customisable, and it's cheaper to maintain simply because there is less upgrading and updating being done – what you see is what you get.

At the end of the day, it's "horses for courses" and your decision depends on your business requirements. To stretch another analogy, it's the difference between buying ready-to-wear and going to a bespoke tailor: if you have a generic size and shape, you may be able to walk out of the shop wearing your HRMS SaaS suit, but a perpetual license outfit will not only fit you perfectly but it may last you a lifetime.

Hopefully this clarifies a few terms you may have seen during your research and will better prepare you for these costing terms coming up in conversations with vendors.



HRMS PRICE LIST

Pricing Information from September 2015.
Follow the source links for more information.

HRMS VENDOR	HRMS PRODUCT	PRICING MODEL	COST	SOURCE
BambooHR	BambooHR	Monthly subscription	\$8 / employee	
Breathe HR	BreatheHR Micro	Monthly subscription	\$15 / employee	
Cezanne HR	Cezanne HR Core	Monthly subscription	\$2 / employee	
EmpXtrack	EmpXtrack Basic	Monthly subscription	\$1.25 / employee	
FreeHR	FreeHR	Free	*Free	
IceHrm	IceHrm	Free	*From free	
OrangeHRM	Orange HRM Open Source	Free	*Free	
People HR	PeopleHR Starter	Monthly subscription	\$1.60 / employee	

People Trak	PeopleTrak LT	Perpetual license	\$9.95 / employee	
Planday	Planday	Monthly subscription	\$2 / user	
SutiHR	Suti HR Professional	Monthly subscription	\$2 / user	
tribeHR	TriberHR Starter	Monthly subscription	\$5 / employee	
Zenefits	Zenefits Core	Free	*Free	
Zoho	Zoho People Standard	Monthly subscription	\$39 (<25 Users)	

Pricing information reported on 15 October 2015. Pricing displayed corresponds to lowest pricing tier available.

* There is no such thing as a free lunch (or free HRMS in many cases). Be sure to read our explanation of free HRMS on page 7.

HOW THIS DATA WAS GATHERED

Pricing information for HRMS software is notoriously difficult to pinpoint as the costs involved can display extensive variety from project to project. The information shown above was gathered from a variety of public sources including, where possible, the vendor's pricing documentation (click on the source icon next to each product for more information). This data should be used as a rough estimate of HRMS prices and does not constitute an official price quote. Please contact customerteam@hrmsworld.com to report pricing changes.



FREE HRMS EXPLAINED

You've probably heard the phrase, 'if it sounds too good to be true, it probably is'. How about, 'anything free isn't worth having'? On the other hand, 'they' do say, never look a gift horse in the mouth... Enough clichés, the real question is, is free HRMS software really free? And if it is, how can the vendor afford to give it away?

DOES 'FREE' HRMS MEAN FREE?

The answer in purely monetary terms is likely to be yes. When the likes of OrangeHRM and FreeHR say their system will cost you nothing, that's true. Your bank account balance won't change at all; it's download and go. Of course, there are costs other than financial... Free HRMS packages tend to be basic and stripped-down (not in all cases, but mostly so). For example, IceHRM is slick, modern and – of course – free, but it only offers personnel recordkeeping, time and attendance monitoring and leave management. Now it might seem churlish to complain, but if you'd really benefit from a learning and development module, or software to run your payroll then what you're getting for nothing only meets some of your needs. Factor in the cost of buying those functions elsewhere, then the lost opportunities from running separate and non-integrated HR software and ultimately it might be less painful in the long run to buy a shiny all-in-one package from the get-go.

WHY WOULD A VENDOR OFFER FREE HRMS?

As to how these vendors can afford to operate as a charity, the simple answer is that they don't. The free options are almost always for a limited number of employee records or users, or the ongoing support package is a pay-for added extra. Nothing underhand about it at all; they just use the 'freeware' as a loss leader and as an advertising platform, eventually making their profits on other products.

Then you need to consider the other costs of implementing new HR technology; training, data cleansing, possible hardware upgrades. Long-term, 'free' isn't free; but on the other hand, for the right business with the right needs, these options are still viable.

EXAMPLES OF FREE HRMS

OrangeHRM is a well-established free HRMS system which is also open source, so if you've a passion for software development you can tinker with it to your heart's content. That said, OrangeHRM's hosted SaaS option carries a fee, so if you want the flexible benefits of a cloud system, you need to reach for your wallet.

IceHRM is well-nigh perfect for a micro-business because if you have less than 10 employees, they'll even throw in free hosting, which gives you free HRMS in the cloud. That said, it's unsupported at this point in their pricing model. If you want aftercare or if you expand past a headcount of 10, there's a fee.

Finally, **Zenefits** remains fairly unique on the market. With Zenefits, size doesn't matter and you get HR management, payroll, benefits, and even 401(k) without a price tag. The reason is that Zenefits doesn't do any of these things, they provide the software interface between you and the outsourcing companies who do; Zenefits get their fees from those providers.



THE TCO OF HRMS

The old phrase about knowing the price of everything and the value of nothing is often strangely reversed when it comes to HR software. Most businesses see the value in having an up to date HRMS, but it's very easy to be misled about the price.

COMMON ELEMENTS OF TCO

The TCO, or total cost of ownership, is the key figure, the one you look behind the price tag to find. TCO matters because what you pay at the point of purchase (or subscription) is only part of the picture. The price of your HRMS is whatever it costs you during the entire time you're using it; that cost goes beyond what you hand over to the software vendor.

So what goes to make up the total cost of ownership? First of all, naturally, comes the one-off cost of the license or the monthly subscription fee (depending on which of the two basic pricing models you're going for). Then you should consider the following factors: labor costs (both internal and external), data cleansing and migration, updates and maintenance for the lifetime of the system, then there's staff training – quite apart from the cost of buying or developing a training package/materials, the trainees (and usually, in these days of employee self-service, that's every member of staff) will need to take time away from their day jobs.

SUBSCRIPTION TCO VS LICENSE TCO

So, are there any differences in TCO between the subscription and license pricing models? The short answer is, yes. Perhaps for a start, just to be pedantic, subscription model SaaS systems should have TCR (total cost of rental) instead of TCO. But let's not get bogged down in the nomenclature...

Installation is often cheaper for subscription systems – being off-premises means there are fewer hardware costs, and cloud HRMS tends to be much less customizable, much more of an 'off-the-shelf' experience; this may mean it's less flexible but it's also cheaper. SaaS systems also tend to have a far less dramatic upgrade schedule compared to 'traditional' licensed options. Similarly, maybe due to its online nature, user training for a SaaS system is more likely to be online, saving on the inevitable overheads of face-to-face training.

That said, on-premises HRMS is still perceived to be just more secure and should a data breach occur, you might find that the upfront cost savings of storing all your HR information in a distant data centre are wiped out by recovery costs and non-compliance fines. Also, the longer you use the system (and the previous industry lifespan of 5 years has increased in recent years as businesses seek to get more value from their IT investments) the more inevitable it is that your monthly subscription will add up to far greater than any initial license fee.

The total cost of ownership will ultimately vary from business to business. Knowing how ready you are for the HRMS implementation will give you an indication of any costs you may incur outside of the actual investment.



HIDDEN COSTS & ROI

Return on investment is the holy grail of any project and implementing a new HRMS is no exception. While the first thought in business often turns to the bottom line, i.e. money, HRMS ROI may be evidenced in one of three ways: financial savings, staff savings, or improved efficiency of HR services. However, simply looking at the system's price tag, your HR department's headcount figures or KPI performance is not enough.

MUDDIED WATERS

As mentioned previously, the pricing model associated with a system often influences the costs which manifest themselves over the lifetime of the system. Clearly, with the license, the longer you use the software, the better your ROI as the initial payment is effectively 'spread' over more years; whereas the longer you use a subscription service, the more you pay.

That said, a few years ago, in the earlier days of SaaS, a study of businesses who changed from licensing software to subscribing to SaaS solutions found the ROI on such systems was 1.7 times better. These days, subscription fees have increased and businesses tend to hang on to their software for longer meaning these waters may have muddied further. Regardless of the pricing model employed, there are significant hidden costs associated with all HRMS projects.

HIDDEN COSTS

System installation – the cost of implementation, getting it all up and running; including data cleansing and migration, plus any initial hardware costs if you're deploying your HRMS on-premises.

System upgrades – the periodic costs related to upgrading to the latest version.

Direct labor costs - the cost of employing the staff necessary to support the system (these tend to be more when you need in-house IT staff to support on-premises hardware).

Outsourcing costs – costs deriving from any outsourced services.

Direct non-labor costs – including selection and implementation consultants, the vendor's added extras and/or facilities, plus any related corporate overheads such as the downtime as staff/users undergo system training.

System maintenance costs – the IT costs specifically related to maintaining the system.

Indirect labor costs - labor costs for employees involved in 'HR activity' that is directly related to the system (e.g. collection of staff data, timesheet monitoring, answering staff questions, and so on).

Finally, it's not only a question of what you pay, but also how you pay it. That's the operating vs. capital expense issue. Depending on your organisation, you'll find it easier to obtain and manage operational expenses or capital funding. That aggravation (whichever way around it is) can make a significant difference to your choice because – once again – the pricing models differ. Given that SaaS/cloud systems are effectively being rented, the subscriptions are classified as operational expenses; however, a perpetual license is usually seen as a capital cost.

Although the wealth of options when purchasing HRMS software may seem daunting, the secret to success is to use your requirements gathering and planning phase to make the tough decisions for you.

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